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# The Impact of Environmental Factors on International Accounting: An Exploratory Study of Factors Affecting the Development of the Accounting Model in the Iraqi Environment

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## Abstract

The research aims to study the environmental variables influencing the development of international accounting systems. It seeks to explain the impact of social values on accounting values and the effect of environmental factors on the development of the accounting model in the Iraqi context. The research employs an inductive approach in presenting its theoretical framework and utilizes an empirical reasoning methodology in its applied aspect, employing data analysis techniques using a questionnaire. The research reached several conclusions, the most important of which is the diversity of environmental factors and the varying degrees of their influence on the accounting model across different countries. These factors have yielded four distinct and comparative models for the development of accounting at the international level: the macroeconomic model, the microeconomic model, the knowledge-independent model, and the unified accounting model. The results of the applied aspect also indicate that different environmental factors have varying impacts on the development of the accounting model in the Iraqi context. Specifically, the results suggest that the nature of capital markets, the political system, and economic growth have the most significant influences, respectively. Based on the findings, the research presented a set of recommendations, the most important of which is raising academic and professional awareness of the importance of local environmental factors, studying them thoroughly, and taking them into account when developing an appropriate accounting model. It also emphasized the need for further research focused on examining the similarities and differences between local and international environmental factors, and on developing generalizations and predictions regarding the expected development of the accounting model.

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**Keywords:** Environmental Factors, Accounting Values, International Accounting Patterns.

## Introduction

Various styles of accountancy behavior exist across different groups of nations. International accounting is concerned with studying, identifying, and classifying accounting systems internationally. It then assesses whether there are methodological symmetry or differences in these body that might allow for grouping certain countries together. With the increasing awareness of the varying impacts of environmental elements on the improvement of accounting at the international level, it has become essential to establish a suitable classification model for these systems. The classification process should also help depict and compare international accounting procedures in a way that fosters a better understanding of the complexities of accounting practice. It should improve the mastery to describe, analyze, and predict the development of accounting systems, and provide useful input for strategic planning and control decisions, as well as for devise policies to harmonize international accounting thought. This is achieved by understanding the similarities and differences between national systems, the development patterns of each national system, and the reasons for the dominance of some national systems over others.

tabulation should also help policymakers appreciate the inspects and challenges of international coordination. This will enable national policymakers to better anticipate potential problems and identify possible solutions, drawing on the experiences of countries with the same development patterns. Developing countries investigate to adopt a suitable accounting system will also be better informed about the suitability of systems used in other states. A suitable classification system will also facilitate the international education of accountants and auditors. Furthermore, it will provide a better understanding of the challenges of establishing appropriate accounting and control systems for multinational corporations, and help in finding solutions.

## 1. Research Methodology

### 1.1: Research Problem:

Accounting reflects the economic, social, legal, and cultural conditions in which it operates and responds to the constantly changing information needs of the society in which it operates. Accounting provides information for decision-making in large local and universal public securities markets. It expands to managerial consulting and integrates ever-increasing information technology into its systems and procedures. Accounting information can vary significantly according to the principles that govern it. Differences in culture, political and organizational structures, legal systems, currency values, local inflation rates, business risks, and tax laws affect how multinational corporations manage their operations and prepare their financial reports globally. It is impossible to understand financial statements and other disclosures without understanding basic accounting principles and business culture. Based on the premise of discovering and identifying the environmental factors influencing the development of the accounting model in the Iraqi context, the research problem is represented by the following fundamental question:

What are the environmental factors influencing the development of the accounting model in the Iraqi context?

### 1.2: Research Significance:

The significance of discuss international accounting has been increasing over the years. Companies operating within a single country are no longer isolated from the international aspects of accounting. Reliance on international suppliers to contain production costs and maintain global competitiveness is a common feature of contemporary business. This research is therefore important because it seeks to understand the mechanisms and reasons behind the evolution of accounting systems at the international level. That achieved by comparing national and regional systems, identifying their similarities and differences, and grouping or modeling financial accounting systems approving to their distinguish attributes.

### 1.3: Research Objectives:

This research aims to achieve the following objectives:

1. To identify the environmental variables influencing the development of international accounting systems.
2. To explain the impact of social values on accounting values.
3. To present models of international accounting development.
4. To explain the impact of environmental factors on the development of the accounting model in the Iraqi context.

### 1.4: Research Hypothesis:

Iraqi environmental factors have a significant impact on the development of a unified accounting system in accordance with International Financial Reporting Standards (IFRS).

### 1.5: Research Variables:

- **Independent Variable:** Factors affecting the development of the accounting model in the Iraqi environment.
- **Dependent Variable:** Development of a unified accounting system.

### 1.6: Research Methodology and Data Sources:

The research adopted an inductive approach in presenting its theoretical framework through a review of relevant Arabic and foreign literature, including academic books, university theses and dissertations, journals, international conference reports and proceedings, as well as research and studies published online. The applied aspect of the research relies on an empirical reasoning approach, using data analysis obtained through a questionnaire to test the hypothesis, interpret the results, draw key conclusions, and propose recommendations.

### 1.7: Research Scope:

**Spatial Scope:** Higher education sector, through a study of the opinions of a sample of academics specializing in accounting at Iraqi universities, including administrative staff and professors.

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**Temporal Scope:** 2025.

## **2. The Theoretical Aspect of the Research**

### **2.1: The Concept of International Accounting:**

International accounting is defined as the study of the accounting assumptions, concepts, principles, and rules applied in different countries, and an investigation into the reasons for their differences. It is also defined as the harmonization of accounting principles, rules, and standards applied in various countries, which can serve and assist local and international investors by providing efficient financial reports that reflect the financial position (Mashkour, 2014: 20). It is a branch of modern accounting, meaning it does not replace the generally accepted and common accounting principles and methods used in accounting practice. However, the aim of establishing an independent branch of international accounting is to broaden the scope of accounting as a whole by defining the theoretical concepts of international accounting and increasing the practical benefits resulting from its application (Hussein, 2005: 27). International accounting represents the set of accounting principles, methods, and standards in all countries, despite their varying environmental, social, economic, political, and legal characteristics. International accounting is essentially an extension of financial accounting. The general objectives of accounting should address the following aspects (Al-Saadi, 2009: 232):

1. Comparative financial analysis at the international level, where the performance of companies operating in different countries is compared.
2. Problems in measuring and preparing financial reports that arise from the operations and activities of international companies, particularly those of holding companies and their subsidiaries.
3. Providing the accounting data required by global financial markets.
4. Unifying and harmonizing different accounting principles and reports globally through political activities, professional organizations, and bodies responsible for setting accounting standards.

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International accounting harmonization is defined as the process of guiding accounting practices from divergence to consistency. This means directing all users of international accounting standards toward unifying accounting methods to increase the consistency of accounting practices by limiting the extent of variation. International harmonization is viewed as the degree of similarity and integration among the various accounting standards and methods used in preparing financial statements. The aim of harmonization is to reduce international discrepancies to achieve greater comparability between financial statements. The growth of international trade, the expansion of global capital markets, and the emergence of multinational corporations are among the most important factors that have led to the need for harmonization of accounting standards at the international level (Naji, 2012: 158).

A standard is a pre-established model for measuring weight, length, or any other characteristic of something; therefore, it represents the best way to do something. In accounting, a standard is defined as an agreed-upon measure intended to provide the appropriate treatment for a specific situation. It serves as a practical guide for accountants, reducing unnecessary flexibility and limiting management's options in application. An accounting standard is also viewed as a general decision rule derived from the objectives and theoretical concepts of accounting, guiding the development of accounting practices and methods (Al-Salmani, 2012: 390). Furthermore, a standard is used to describe what is ideal, not what is realistic, but rather what should be. The normative theory of accounting is a deductive theory that describes what empirical reality should be. It is used to find the best option among several alternatives in light of predefined criteria. The term "accounting standards" does not refer to standards in their literal sense, but rather to everything related to the organization that governs the accounting profession (Tabaiba, 2016: 75). Accounting standards are defined as the fundamental guide for measuring the processes, events,

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and conditions that affect a company's financial position and operating results, while also communicating this information to its users. They are also defined as a model or pattern for accounting performance, and the rules specific to a particular element of the financial statements, or a specific set of transactions, events, or conditions affecting the economic entity. The process of formulating and developing accounting standards is influenced by three broad categories: the accounting profession, company management, and users of financial reports. From this perspective, the process of setting and developing accounting standards is a social decision, influenced by the opinions of multiple specialists as well as by the results of logic and scientific experience (Abdullah et al., 2024: 65-66).

Standard accounting theory describes what reality should be based on accounting objectives. One of its characteristics is its tendency towards idealism, as it assumes a specific objective to be achieved. Therefore, it begins with the accounting objectives and ends with deducing the accounting policies that should be applied to achieve those objectives. It focuses on selecting the best accounting policy regardless of management's reasons for or feasibility in choosing a particular policy. This approach to accounting has been subject to numerous criticisms due to its openness to personal interpretations, and because the criterion of best practice is relative rather than absolute (Ben Saeed, 2018: 17). The transition to International Financial Reporting Standards (IFRS) faces challenges.

Some challenges, particularly the asymmetry of information resulting from some company managers applying practices that serve their personal interests, as well as the problem of interpreting the content of financial reports regarding the measurement of financial transactions and additional disclosures, necessitate taking the necessary measures to transition from local accounting terminology to International Accounting Standards (IAS) (Hamad & Mawloud, 2024: 240). The adoption of IAS has been a subject of debate in accounting literature. One approach

supports the adoption of standards to harmonize international accounting, enhance the quality of financial information, improve comparability of accounting information, and facilitate financial transactions internationally, thus leading to better globalization of capital markets. This approach also aims to promote the integration of financial markets, especially in developing countries, and improve their competitiveness. The second approach argues that each country has specific environmental factors, and these factors are essential for establishing a suitable national accounting system. Accounting principles should be adapted to each country accordingly. In fact, the accounting information produced in advanced accounting systems in developed countries is not suitable for decision models in less developed countries (Zeghal & Mhedhbi, 2006: 375).

## **2.2: Environmental Influences on International Accounting Development:**

Many accounting researchers have addressed the factors influencing the development of the international accounting system since the 1960s. They have examined how these factors affect accounting reporting and disclosure standards in order to predict progress toward harmonization efforts. Some of these factors, such as culture, change little over time, which may hinder these efforts, while other variables, such as economic ties, are more dynamic due to globalization. The adoption of International Accounting Standards provides a new avenue for linking these factors to the development of accounting (Nirosha, 2020: 1219).

### **1. The nature of project ownership:**

The need for disclosure and public accountability will be greater for a company that offers its shares to the public than for sole proprietorships or family businesses. When ownership reverts to the state, centralized oversight transcends microeconomic concepts. Furthermore, the activities of companies influence the nature of the accounting system, and whether these companies are agricultural,

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extractive, or industrial. Or it may be diversified or multinational, and whether it is a large group of companies or a small company (Cerne, 2012: 7).

## **2. Finance and Capital Markets:**

In countries with strong stock markets, such as the United States and the United Kingdom, accounting earnings measure how effectively management is running a company. Accounting is designed to help investors assess future cash flows and associated risks, and to value the company. Extensive disclosures are made to meet the requirements of public equity ownership. In contrast, in credit-based systems, where banks are the primary source of funding, accounting focuses on protecting creditors through conservative earnings measures to minimize dividend payouts and maintain sufficient funds to protect lenders. Because financial foundations have lineal access to any information they need, comprehensive disclosures are not substantial. Examples include Japan and Switzerland (Nirosha, 2020: 1218).

## **3. Taxation:**

In many countries, tax legislation effectively sets accounting standards, requiring corporations to record revenues and expenses in their accounts for tax intents. Finally, financial and tax accounting are similar. This is the case, for example, in Germany and Sweden (Alexander & Nobes, 2010: 75).

Tax laws differ from the concepts and rules of International Accounting Standards in terms of objectives. Some tax rules aim to maximize tax revenues and intervene in economic and social life as a tool of the state's political and social economy. This makes tax rules geared towards achieving the state's economic and social goals and helping the tax authority determine the tax base. In contrast, International Accounting Standards seek to promote transparency and credibility in the presentation of financial data while maintaining complete neutrality and disclosing the company's financial information. Ultimately, the difference in objectives leads

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to the issuance of tax laws and International Accounting Standards in light of their respective goals, creating a conflict between them and resulting in a difference between the tax system and International Accounting Standards (Alseikh & Others, 2024: 72).

#### **4- The Accounting Profession:**

There are other issues closely related to financial reporting that some researchers have identified as causing universal diversity. One such issue is the accounting career. whereby, this may be changing. As a consequence, rather than an explanatory variable, the strength, size, and efficiency of the accounting profession in a country may stem largely from the various factors mentioned above and from the types of financial reports produced. For instance, the absence of a large pool of private and public shareholders in many states means that the need for auditors is much lower than in the UK or the US. Therefore, the impression of the profession also influences the kind of accounting practiced and that can be practiced (Alexander & Nobes, 2010: 76).

#### **5- Accounting Education and Research:**

Advanced accounting standards and exercise become worthless if they are misunderstood and misused. For instance, a complicated artistic report on cost behavior distinction is only useful if the reader realize cost accounting. Similarly, disclosure regarding the risks of derivative securities only provide valuable information if they are easily readable. Professional accounting education is complicated to achieve in areas with low levels of general education. Sometimes, a country must import accounting training or send its citizens abroad to obtain it. What China is currently doing (Choi & Meek, 2011: 33). The development of the accounting profession depends on the existence of a sound infrastructure for accounting education and research, which is usually weak in developing countries (Cerne, 2012: 6).

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## 6- The Political System:

The political factor influences accounting by controlling its structure and the degree of professional freedom. The political system reflects the philosophy of governance in a given society, the degree of concentration of power, and the extent of government intervention, which directly or indirectly affects individuals, groups, and their business activities. Differences between political systems are evident in their methods of organizing and monitoring the economy, from free market to centrally planned economies. This impacts the objectives and role of accounting. Consequently, it is natural that accounting standards for market economies differ from those applied in centrally planned economies (Zehria & Chouaibib, 2013: 59).

## 7- The Level of Economic Development:

This factor influences the types of transactions or business deals conducted in an economy and determines which are most common. The type of transactions, in turn, determines the problems facing accounting. For example, executive compensation based on stocks or asset securitization is impractical in economies with underdeveloped capital markets. Today, many industrial economies are transitioning to service-based economies. Accounting issues related to manufacturing, such as the valuation of fixed assets and the recording of depreciation, have also become less important. New accounting challenges are emerging, such as the valuation of intangible assets and human resources (Cerne, 2012: 3).

## 8- The Legal System:

There are two types of legal systems: codification law and common law. Some countries are codification-oriented toward accounting, while others are non-codification-oriented. Non-codification-oriented countries are those that use common law. In common law countries, the primary purpose of accounting

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regulations is to protect business owners. The focus is on shareholders rather than creditors or tax authorities, making measurement rules less conservative. Accounting rules are determined by the private sector, by professional organizations of accountants, rather than by law (Alexander & Nobes, 2010: 7).

### **9- Culture:**

Accounting is influenced by its environment, including the culture of the country in which it operates. Hofstede (1980) developed a model of culture as the collective programming of the mind that distinguishes members of one human group from another. Hofstede argues that, just as a computer operating system contains a set of rules that constitute As a reference and a set of constraints for higher-level programs, culture encompasses a set of societal values that guide institutional form and practice (Nobes & Parker, 2010: 29-30). Gray (1988) also points out that societal values are determined by environmental influences and modified by external factors. Conversely, societal values have institutional implications, such as the legal system, the political system, the nature of capital markets, corporate ownership patterns, and so on. The culture of any country contains the core values that an individual may hold. These values influence how individuals wish to structure their society and how they interact with its infrastructure. Accounting can be considered one such infrastructure. Accountants' attitudes are expected to be linked to and derived from societal values, and accounting values, in turn, will influence accounting systems (Cerne, 2012: 10).

### **10- Other External Influences:**

Many other influences have contributed to shaping accounting practices, and it is noted that colonial influence may overshadow all other factors. An example of this is the drafting of the law In response to economic or political events, accounting practices have evolved. For example, the economic recession in the United States in

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the final 1920s and precocious 1930s led to the enactment of stock market laws that fundamentally altered American accounting practices by introducing expanded disclosure requirements and state control over accounting standards (Nirosha, 2020: 1219). In Spain, the adoption of the accounting policy from France pursue its adoption by France itself next the impact of the German occupation in the early 1940s. maybe the most significant, yet minimal logical, factor is the modification of developing countries, which have few public companies or private shareholders. A prime symbol of extrinsic impact is the adoption of concourse with International Accounting standards Board (IASB). For instance, the European Union made these rules obligatory for the united financial statements of patent corporations. This was completed for political and economic purposes, and it goes beyond the other factors mentioned (Alexander & Nobes, 2010: 71).

Another factor influencing accounting practices is the level of inflation. In many South American countries, the most prominent feature of accounting practices has been the use of price level adjustment techniques. In general, although whichever land will comply to hyperinflation, the most pleasant spot is that the response of a country's accounting regulation to distension illustrates the fundamental nature of that system (Cerne, 2012: 8). In a little situations, theory has highly affected accounting job, farthest clearly in the status of microeconomics in the Netherlands, for instance. The flexibility of Dutch legislation and taxation matters, and the profession's acceptance of microeconomic conceptions, have led to the current diversity in practices, and the emphasis on fairness through judgment and experimentation, particularly in replacement cost accounting. In other countries, the theory may be less clear. In most of continental Europe and Japan, accounting has served the state, especially for tax collection (Zeghal & Mhedhbi, 2006: 376-377).

### 2.3: International Accounting patterns:

There are two main approaches to researching international accounting models or standards: the comparative approach and the empirical approach. The comparative approach focuses on studying the reasons for changes in accounting principles from one country to another. The empirical or practical approach, on the other hand, focuses on studying the accounting problems resulting from the application of International Accounting Standards, finding appropriate practical solutions, and presenting the difficulties and problems faced by multinational corporations. International accounting research has sought to explain the impact of diverse and complex environmental factors through two main approaches, as follows (Mashkour, 2014: 14):

- 1- **The deductive approach:** This approach is based on identifying pertinent ecological agents and connect them to local accounting Policies. Among the most prominent proponents of this approach are Nobes (1983) and Muller (1967).
- 2- **The inductive approach:** This involves analyzing accounting practices, then identifying contributing factors and explaining accounting developments by proposing a set of economic, gregarious, political, and cultural reference agents. Among the most prominent proponents of this approach are Nair and Frank (1980).

#### 2.3.1: The Constructive Approach:

The environmental analysis conducted by Gerhard Mueller in his publication "International Accounting" (1967) stipulate a pioneering beginning spot for research the deductive approach to classifying accounting. Mueller specified four distinguished entrances to the expansion of accounting at the international level. These are as follows (Radebaugh & Others, 2006:36):

**1. The Macroeconomic pattern:** In the macroeconomic model, corporate accounting is closely linked to national economic policies. Corporate objectives typically follow national economic policies rather than driving them. In this context, accounting yield may be optimized to boost economic and business continuation, consumption proportions may be adapted to encourage expansion, particular reserves may be established to encourage investment, and social charge accountability may be sophisticated to recognize macroeconomic needs. Mueller identified Sweden, France, and Germany as examples of this approach (Iman, 2017:8).

**2. The Microeconomic pattern:** According to the microeconomic model, accounting is considered a branch of business economics. That is, there is a fundamental focus on individual economic entities. Accounting thought are derived from economic anatomy. One of the essential concepts relates to preserving the cash capital invested in the company at its real value. Therefore, replacement value accounting often aligns with the microeconomic approach, along with developments in sectoral reporting and the disclosure of employee costs, pensions, and long-term liabilities (Alexander & Nobes, 2010: 67).

**3. The independent discipline pattern:** In this model, accounting is considered a service function, derived from business practices and based on a pragmatic approach. It is susceptible of evolving its own conceptual framework based on empirical experience. Income is considered a practical and useful measure in practice, while full and fair disclosure is a generally accepted accounting principle that has evolved over the years. The United States and the United Kingdom are prime examples of this approach (Choi & Meek, 2011: 37).

**4. The Uniform Accounting pattern:** In the uniform accounting model, accounting is considered an effective tool for management and control. It relies on a more scientific approach to accounting and a unified approach to measurement,

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disclosure, and presentation to enhance ease of use and control across all types of businesses by all users, including managers. Governments and tax authorities. Centrally planned economies, as well as other countries with strong government involvement in economic planning, such as France, Germany, Sweden and Switzerland, are examples of this model (Mashkour, 2014: 42-44).

Mueller argues that all four of these judgment models are strictly attached to economic or commercial agents. However, he acknowledges a broader range of impacts, like the juristic regulation, the politic system, and the gregarious milieu, as factors pertinent to the improvement of accounting, nevertheless he does not provide a precise definition of them. He also makes no obvious reference to cultural factors, which are perhaps included during the ecological elements he identifies. His most significant contribution lies in his classification of business environments, which he then links to diverse kinds of accounting systems. He identifies ten groups of countries but does not assess the practical differences in accounting practices (Choi & Meek, 2011: 37). Nobes (1983) further adapted and expanded upon Mueller's environmental analysis, basing his hypothetical classification on an evolutionary approach to identifying measurement practices in advanced Western countries. He adopted a hierarchical classification system to provide greater precision and differentiation in assessing differences between countries. He, too, does not explicitly refer to cultural factors. However, he primarily distinguished between microeconomic and macroeconomic systems in terms of the economics and orientations of business practices under this classification. His statistical analysis provided strong support for classifying countries into microeconomic and macroeconomic systems, but he did not go much further. Experimental study by Doupnik and Salter (1993) on a big number of nations provided wide obligation for Nobes' ranking. In a survey of 50 countries, both Communistic and bourgeois, the macro-microeconomic classification was obviously propped by measurement and

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disclosure procedures. Nobes (1998) also compress his tabulation system to differentiate amidst strong and weak stock markets (Radebaugh & Others, 2006: 37-38).

### **2.3.2: The Inductive Approach:**

In contrast to the studies discussed in the previous section, the inductive approach to identifying accounting patterns begins with an analysis of individual accounting practices. Perhaps the most important exploit of this model was made by Nair & Frank (1980), who conducted a statistical analysis of international accounting practices utilizing PricewaterhouseCoopers scanning from 1973 and 1975. They empirically distinguished between measurement and disclosure practices, given the different patterns of their development (Iman, 2017: 7-8).

Experiential outcomes, using factor analysis utilized to individual practices, presented that, with regard to PricewaterhouseCoopers (1973) data, four measurement groups could be identified, generally described as the British Commonwealth, Latin American, European Continental, and US models. This result seems plausible and is entirely consistent with previous research on national accounting systems. However, with regard to disclosure, seven groups were specified that could not be reasonably qualified, and no demonstration was given for the divergence among them and the measurement groups. After identifying the country groups, Nair & Frank attempted to assess the relationships between these groups and several explanatory variables (Nobes & Parker, 2010: 30). While connections were founded with regard to several variables, including speech as a delegate for cultivation, diverse parts of economic body, and trade relations, differences were evident between the measurement and disclosure groups. The results did not support the hypothesis that cultural and economic variables are associated with disclosure practices, nor the hypothesis that trading variables are associated with measurement practices. A trouble with this sort of research is the weak precision and accuracy of a facts. Issues with the

PricewaterhouseCoopers surveys included data errors, misleading responses, and an overstatement of variation between the United States and the United Kingdom. possibly the main impairment of the mopping lies in the distraction between mandatory and non-mandatory rules and true practices, which oftentimes differ (Iman, 2017: 21).

This demo of almost key studies in universal standing reveals that research in this extent is yet relatively in its early stages, with only floppy groups having been identified so far. Very few countries or accounting systems have been identified. Moreover, solitary very generic relationships between ecological factors and accountancy regulations have been founded. likewise worth noting that in all this classification studies, so few interest has been paid to the effect of cultivation as a potentially more essential factor implicit diversity in international accounting systems (Radebaugh & Others, 2006: 38-41).

#### **2.4: Culture and Societal Values:**

Culture encompasses the values and attitudes shared by members of a society. Cultural variables form the basis of legal systems and other institutional arrangements in states. Hofstede (1984) identified four dimensions of nationalistic culture/societal worth's: (1) selfhood, (2) uncertainty parry, (3) authorities inequality, and (4) virility. His test is established on data from workers of a large American multinational corporation operating in 40 several regions (Choi & Meek, 2011: 34).

**1. Individualism vs. Collectivism:** Selfhood refers to a predilection for a loosely connected social frame in society, where persons are assumed to sponsor only for themselves and their forthright people. Collectivism, on the other hand, is the opposite, referring to a preference for a connected social framework, where individuals expect their relatives, clan, or other members of the group to care for them in exchange for genuine loyalty. The fundamental issue this dimension

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addresses is the degree of cohesion that society maintains among its members. It relates to people's concept of self: "I" or "we" (Radebaugh & Others, 2006: 44).

**2. Large vs. Small Power Distance:** The authority gap is defined as the extent to which members of society accept the idea of an unequal distribution of salad in foundations. That impacts the behavior of both the minimal powerful and the more powerful. In societies with strong power structures, people accept a hierarchical system where each individual has a position that requires no further justification. In societies with weak power structures, people strive for parity of power and desire vindication for existing disparity. The material matter this distance addresses is how community deals with inequalities when they arise. This has clear conclusion for how a society constructs its institutions and organizations (Nobes & Parker, 2010: 30).

**3. Strong vs. Weak Uncertainty Avoidance:** Uncertainty evasion is defined as the grade to which members of a society sense inconvenient with uncertainty and vagueness. This discomfort leads them to cling to beliefs that promote certitude and to preserve incorporations that protect conformity. Societies with robust uncertainty revocation preserve strict rules of belief and attitude and are uncharitable of deflector individuals and thought. Societies with weakened uncertainty avoidance maintain a widely flexible environment for change and focus on practice rather than principles. The core idea this remoteness addresses is how a society respond to the reality that time moves in one direction and the futurity is obscure, whether attempt to supervision the future or lets it occur. As with the Authority gap, uncertainty avoidance has consequences for how a society constructs its institutions and organizations (Askary & Others, 2008: 71).

**4. Masculinity vs. Femininity:** Masculinity refers to a society's preference for achievement, heroism, assertiveness, and success. The material. Femininity, on the other hand, refers to a preference for relationships, modesty, caring for the

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vulnerable, and quality of life. The fundamental issue this dimension addresses is how society distributes social roles, reflecting the biological roles of the sexes. (Nobes & Parker, 2010: 30).

The fifth proportion, called Confucian dynamism, also refers to a short-term against a long-term trend. This dimension is qualified as Confucian because the worth engaged appear to align with the ideology of Confucius, the mythical sixth-century BCE Chinese thinker. The short-term direction assert esteem for convention, social obligations, and gregarious condition ignored of cost or social compression. This may mean excessive spending, low savings, limited funds for investment, a focus on quick results, an emphasis on aspects, and a preference for fact over morality. The long-term tendency, on the other hand, assure adapting traditions to meeting new needs, respecting social obligations and social condition within reasonable borders, a frugal and economical way to resource use, high savings and available property for exploitation, persistence towards piecemeal outcomes, a readiness to dependent personal benefits to the goal, and a worthy process to life (Askary & Others, 2008: 73).

## 2.5: Accounting Values:

Based on Hofstede's analysis, Gray (1988) proposed a scope fasting culture and accountancy. He indicated that four dimensions of accounting values influence financial reporting practices in any country, as follows (Radebaugh & Others, 2006: 44):

**1. Professional vs. Legal Control:** This refers to a preference for vocational judge and self-regulation, rather than submission with mandatory legal necessity. A priority for separate occupational rule aligns with a vantage for a less cohesive social framework, where there is a greater affirmation on autonomy and fewer rules. In such a framework, diverse professional judgments are more readily accepted. Professionalism is more likely to be accepted in a society with limited

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authority, where there is a greater concern for equal rights, a less perceived threat at various levels of authority, and a greater willingness to trust others. (Askary & Others, 2008: 71)

**2. Uniformity vs. Flexibility:** This value reflects a preference for standardized accounting practices across firms and the consistent application of these practices over time, rather than flexibility based on the perceived circumstances of individual firms. A preference for uniformity aligns with a strong aversion to uncertainty, leading to a concern for law, order, and decisive codes of conduct, a need for written rules and regulations, respect for conformity, and a pursuit of ultimate and absolute truths and values. Uniformity also aligns with a preference for collectivism. With its cohesive social framework, belief in organization and order, and respect for group norms, unification is easier in a society with a wide power gap, where the imposition of uniform laws and rules is more acceptable. (5) Choi & Meek, 2011: 3.

**3. Conservatism vs. Optimism:** This refers to a predilection for a reserved path to mensuration to address uncertainty about futurity calamities, rather than a more hopeful and assertive one. A predilection for more conservative mensuration of earnings aligns with a potent aversion to uncertainty, stemming from concerns about security and the want to foster a wary tactic to dealing with uncertainties about outlook calamities. A focus on individual achievement and performance is likely to promote a less conservative way to measure. (Nobes & Parker, 2010: 30.)

**4. Secrecy vs. Transparency:** This value reflects a preference for secrecy and disclosing business-related information only to those most closely involved in its management and financing, rather than adopting a more transparent, open, and publicly accountable approach. A preference for secrecy aligns with a strong aversion to uncertainty, resulting from the need to restrict information disclosure to avoid conflict and competition and maintain security. Societies with high authoritarianism are likely to restrict information to maintain power imbalances.

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Secrecy also aligns with a preference for collectivism. Societies that place greater emphasis on quality of life and people tend to favor collectivism. The environment tends to be more open, particularly with regard to information relevant to the community. (Askary & Others, 2008: 74).

### 3. The Practical Aspect of the Research

#### 3.1: Statistical Analysis of the Data:

This section presents the results of the data analysis and the testing of the research hypothesis using appropriate statistical methods and techniques. The SPSS v.23 software was used to conduct the statistical analysis on the data collected through the questionnaire distributed to the study sample. It provides a detailed description and analysis of their responses to the study's items, axes, and procedures, as well as a description of the study model's variables and sub-dimensions. The results of the hypothesis testing and commentary are also presented, as follows:

##### 3.1.1: Study Population, Sample, and Methodology:

The researcher used a descriptive and analytical approach. The study population consisted of the higher education sector, specifically a random sample of 44 academics specializing in accounting at Iraqi universities, including administrative staff. Responses were collected using a three-point Likert scale (agree, neutral, disagree). The scores on the scale were classified as follows:

Table (1) The three-point Likert scale for answering the questionnaire items.

Response	Agree	neutral	disagree
Degree	3	2	1

The following table illustrates the scale's scope for the study variables.

Table (2) Questionnaire Items- Source: Table prepared by the researcher

variables	Paragraphs
Independent variable: Factors affecting the development of the accounting model in the Iraqi environment	20
Dependent variable: Development of the unified accounting system.	10
Number of items	30

### 3.1.2: Questionnaire Validity:

Cronbach's alpha coefficient was used to verify the internal consistency and coherence of the questionnaire items. An alpha value of  $\geq 0.70$  is considered appropriate in administrative and economic sciences. Table (4) shows the results of the reliability instrument for this study.

Table (3) Internal consistency reliability coefficient for questionnaire dimensions (Cronbach's Alpha scale)-  
Source: Prepared by the researcher based on the outputs of the statistical analysis.

Variable	Number of paragraphs	Cronbach Alpha
Independent variable	20	0.89
Dependent variable	10	0.86
Total	30	0.87

### 3.1.3: Description and Analysis of Study Variables and Dimensions:

This section includes an analysis of the sample's attitudes toward the study variables, focusing primarily on the response rate, as well as the means, standard deviations, relative importance, and rank of each questionnaire question.

#### 3-1-3-1: Description of the Study Sample's Responses to the Independent Variable (Factors Affecting the Development of the Accounting Model in the Iraqi Environment).

Table (4) Descriptive analysis of the dimension of factors affecting the development of the accounting model in the Iraqi environment- Source: The table was prepared by the researcher based on the results of the SPSS V.23 statistical program.

Sequence	Items	Mean	Standard Deviation	Relative Importance	Rank
1	Accounting and financial control goes beyond the concepts of microeconomics, which is reflected effectively in the development of the accounting model.	2.698	0.4647	0.899	13
2	The level of economic growth plays a crucial role in the development of accounting standards.	2.837	0.3735	0.946	3
3	The efficiency of financial markets is a vital factor in the development of accounting disclosure.	2.884	0.3244	0.961	1
4	Accounting rules are formulated in light of the requirements of capital providers.	2.279	0.7012	0.760	19
5	Tax law contributes to adapting accounting standards to achieve general economic and social goals.	2.581	0.5869	0.860	17
6	Accounting rules are formulated in accordance with applicable tax legislation.	2.512	0.7028	0.837	18

7	The accounting profession plays an active role in defining and ensuring consistency in accounting practices.	2.744	0.5387	0.915	12
8	The accounting profession operates and sets its policies with complete neutrality from the legal system.	2.395	0.7910	0.798	20
9	The formulation of accounting standards is influenced by the outputs of accounting education and research.	2.651	0.6127	0.884	16
10	The development of the accounting profession depends on the existence of a sound infrastructure for accounting education and research.	2.744	0.4925	0.915	11
11	The political system plays a fundamental role in the degree of freedom and professionalism of the accounting system.	2.674	0.6064	0.891	14
12	The objectives of accounting are objectives derived from the objectives of a centrally planned economy.	2.884	.3244	0.961	2
13	A decline in the level of economic development hinders the process of developing the accounting model.	2.837	0.3735	0.946	4
14	Accounting rules and policies are defined within common law and are formulated by professional accounting organizations.	2.814	0.5003	0.938	5
15	Accounting measurement and disclosure rules are more conservative to protect creditors and tax authorities.	2.651	0.6860	0.884	15
16	Accounting values are influenced by social values.	2.721	0.6296	0.907	10
17	Social values and environmental influences have institutional implications for accounting.	2.814	0.4502	0.938	6
18	Inflation and fluctuations in the general price level significantly influence the formulation of accounting policies.	2.744	0.5812	0.915	9
19	Global financial crises have a direct impact on the formulation of accounting rules and standards.	2.791	0.5588	0.930	8
20	The accounting model cannot be developed in isolation from international environmental factors.	2.814	0.4502	0.938	7
	The dimension as a whole	2.7035	.292440		

Table (4) shows the arithmetic means for the dimension of factors affecting the development of the accounting model in the Iraqi environment, which ranged between (2.884 – 2.395) with an overall mean of (2.7035). Q3 ranked first with an arithmetic mean of (2.884) compared to the overall arithmetic mean of (2.7035) and a standard deviation of (0.3244). Q8 ranked twentieth and last with an arithmetic mean of (2.395) compared to the overall arithmetic mean of (2.7035) and a standard deviation of (0.798).

### 3.1.3.2: Description of the study sample's responses regarding the dependent variable: (Developing the Unified Accounting System):

Table (5) Descriptive Analysis of the Unified Accounting System Development Dimension- **Source:** The table was prepared by the researcher based on the results of the SPSS V.23 statistical program.

Sequence	Items	Mean	Standard Deviation	Relative Importance	Rank
1	The unified accounting system is being developed in stratification with universal accounting and fiscal report criterions.	2.488	0.6680	0.829	3
2	The updated unified accounting system is compatible with the requirements of the Iraqi environment	2.535	0.5916	0.845	1
3	Developing a unified accounting system is essential for the level of economic development in the Iraqi environment	2.419	0.6980	0.806	4
4	The development of the unified accounting system takes into account the requirements for efficient capital markets	2.512	0.6314	0.837	2
5	The development of a unified accounting system is influenced by applicable tax laws and regulations	2.302	0.6738	0.767	5
6	A unified and updated accounting system, aligned with international standards, allows the accounting profession to develop independently of other factors	2.302	0.6375	0.767	6
7	Implementing the updated accounting system requires developing accounting research methodologies and approaches	2.186	0.6988	0.729	8
8	The development of the unified accounting system takes into account the social and accounting values in the Iraqi environment	2.093	0.7176	0.698	10
9		2.302	0.6738	0.767	7
10	The development of a unified accounting system is characterized by sufficient flexibility to withstand inflation and fluctuations in the general price level	2.163	0.7847	0.721	9
	The dimension as a whole	2.3302	.433990		

Table (5) shows the arithmetic means for the Unified Accounting System Development Index dimension, which ranged between (2.093 – 2.535) with an overall mean of (2.3302). Q2 ranked first with an arithmetic mean of (2.535) compared to the overall arithmetic mean of (2.3302) and a standard deviation of (0.845). Q8 ranked tenth and last with an arithmetic mean of (2.093) compared to the overall arithmetic mean of (2.3302) and a standard deviation of (0.698).

### 3.2: Testing the Research Hypothesis:

"Iraqi environmental factors have a significant impact on the development of a unified accounting system in accordance with International Financial Reporting Standards (IFRS)".

Pearson correlation analysis focuses on testing the existence and nature of the relationship between the independent variable (factors affecting the development of the accounting model in the Iraqi environment) and the dependent variable (development of the unified accounting system). The results presented in Table (6) indicate a significant correlation between the variables, with a value of (0.449\*\*). This demonstrates a statistically significant positive correlation at the (0.05) level.

Table (6) Pearson Correlation Coefficient- Source: Prepared by the researcher using the statistical program (SPSS-23).

Correlations		
Independent variable: Environmental influences		Dependent variable: Development of a unified accounting system
0.449**	Pearson Correlation	
0.000	Sig. (2-tailed)	
44	N	
** Correlation is significant at the 0.01 level (2-tailed).		

As shown in Table (7) of the regression analysis, there is a positive effect of Iraqi environmental factors on the development of the unified accounting system according to International Financial Reporting Standards (IFRS). The calculated F-value was (5.964) with a significance level of (0.05). The coefficient of determination ( $R^2$ ) was (0.356), which means that (35%) of the explained differences in the development of the unified accounting system are due to the effect of Iraqi environmental factors, while the remainder are due to random variables that cannot be controlled or are not included in the regression model at all. By following up on the coefficient (B1), it becomes clear that studying the environmental factors that lead to an improvement in the accounting model is important, with a value of (0.529). By following up on the calculated (T) test of (5.000), we find that it is a significant value and greater than its tabulated value (4.116) at a significance level of (0.05). This is consistent with the logic of the study

hypothesis, and thus the main hypothesis is accepted, which states that (Iraqi environmental factors have a significant impact on the development of the unified accounting system in accordance with international accounting and fiscal report criterions).

Table (7) Regression Analysis- Source: Prepared by the researcher using the statistical program (SPSS-23)

Simple linear regression						
T		F	R <sup>2</sup>	Factors affecting the development of the accounting model in the Iraqi environment		Dependent variable Developing a unified accounting system
scheduled	Calculated			B0	β1	
4.116	14.006	5.964	.356	3.760	0.529	

#### 4. Conclusions

The research reached a set of conclusions, which are as follows:

1. There are many diverse and influential environmental factors that affect the differences in accounting models to varying degrees. International accounting is a branch of accounting that studies the assumptions, concepts, foundations, and accounting rules applied in different countries and examines the reasons for their differences in order to arrive at generalizations about the nature of accounting systems.
2. One of the most important reasons for the increasing interest in international accounting is the expansion of economic units' activities into the international arena, the increase in the volume of international business, and the necessity of achieving harmonization in accounting systems and unifying accounting practices at the international level.
3. International accounting research relies on two main approaches in interpreting the impact of environmental factors. The deductive approach is based on identifying relevant environmental factors and linking them to national accounting systems. The inductive approach, on the other hand, is based on analyzing accounting systems and then identifying the factors contributing to their development by proposing a set of economic, social, political, and civilian reference operators.
4. According to the constructive method, there are four distinct models for developing accounting at the international level: the macroeconomic model, the microeconomic model, the knowledge-independent model, and the standardized

accounting model.

5. Cultural variables form the basis of the legal systems of different countries, as well as other institutional arrangements. There are four national cultural dimensions, or societal values: individualism versus collectivism, strong authority versus weak authority, strong uncertainty avoidance versus weak uncertainty avoidance, and masculinity versus femininity.
6. There are four dimensions of accounting values that influence financial reporting practices in any country: professional control versus legality, standardization versus flexibility, conservatism versus optimism, and confidentiality versus transparency.
7. The results of the practical section showed that different environmental factors have varying impacts on the development of the accounting model in the Iraqi environment. The results indicated that the nature of capital markets has the greatest impact, followed by the political system, and then economic growth.
8. The results of the practical aspect also indicated the priority of adapting the updated unified accounting system to the requirements of the Iraqi environment in the first place, taking into account the efficiency of capital markets in the second place, and conformity with international accounting and financial reporting standards in the third place.

## 5. Recommendations

1. Work to raise academic and professional awareness of the importance of local environmental factors, study them thoroughly, and take them into account when developing a suitable accounting model.
2. Conduct further research aimed at examining the similarities and differences between local and international environmental factors, and develop generalizations and predictions regarding the expected development of the unified accounting system.
3. Foster professional and academic cooperation and communication to identify shortcomings in the implementation of the updated unified accounting system in accordance with International Financial Reporting Standards (IFRS), and find appropriate solutions.
4. Work to improve the efficiency of capital markets, which are the primary effect on

the improvement of the accountancy model, based on purely scientific and professional requirements and principles.

5. Establish a training program in partnership with international auditing firms and the International Organization of Supreme Audit Institutions (INTOSAI) to enhance the development of the accounting model in line with the variables of the local and global environment.
6. The need for professional associations, scientific and academic councils to issue scientific and professional publications that help accountants understand the opportunities and obstacles to implementing the unified and updated accounting system in accordance with international accounting and financial reporting standards, and to find solutions to emerging problems in implementation.

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